



Should You be Nervous About Your Disability Insurance?

If you want disability insurance without limitations, there is strong incentive for healthy applicants to secure coverage promptly.

The critical features in any disability income protection policy – group or individual – are the contractual provisions that define the circumstances under which a claim will be paid. The *definitions of disability* may vary significantly depending on the company. Since most consumers are not disability insurance experts, substantial education is usually required to select a disability plan that matches one's circumstances. This can make it difficult to make apples-to-apples comparisons between insurers.

A Critical Detail Inside the Definitions

Besides learning the basics of disability insurance, prospective policy owners should examine the contract language regarding a specific type of disability: **one occurring as a result of a mental or nervous (M/N) disorder**. Why? Several compelling reasons:

- Statistically, a disability resulting from a M/N disorder is your biggest risk. A 2013 report by the Anxiety and Depression Association of America found "that major depressive disorder is the leading cause of disability in the US." The U.S. Department of Labor (dol.gov) concurs, stating major depressive disorder is "the leading cause of disability in the U.S. for ages 15-44."
- Because M/N disorders are harder to verify than other disabling events, many insurance carriers **restrict** how long benefits will be paid, a common limit being 24 months. So, even if you own a

policy with lifetime benefits, payments from a disability claim as a result of depression will only be made for 2 years. Often, this limiting provision will also include substance abuse and addiction-related disabilities.

- The policy may state that if a disability is determined to be "caused by, resulting from, or contributed to" a M/N disorder, the insurance company may apply the limitation in a more expansive context. This is a critical distinction. For example, if an insurer concludes depression was an integral factor in a worker experiencing debilitating back pain, it might seek to limit benefits for the back-related disability to 24 months.
- Combine the historical prevalence of M/N factors in disability with the likelihood of diminished benefits, and it is easy to see the possibility of litigation to resolve a claim – by both the insured and the insurer. From the claimant's perspective, even successful litigation delays benefits and adds stress.

Managing Your Ongoing Medical History is Prudent.

Insurance companies rely on medical documentation to guide their decisions, both to insure and pay claims, especially when M/N conditions are involved. If a disability is not primarily the result of an M&N condition, it is important to clearly document it.

The Provision Limiting Benefits for M/N Conditions to 24 Months is Not Universal.

While most group disability plans impose the 24-month limiting condition, select insurance companies offer **individual policies with no benefit restrictions** for disabilities resulting from M/N disorders. If such a policy promises lifetime benefits for incidents of disability, there are no caveats. However, approval of a "no limits" policy is contingent on the applicant's individual health history. In exchange for expanded coverage, applicants should expect a higher level of screening during the application process.

Incentive for Healthy Applicants to Secure Coverage Promptly.

Waiting runs the risk of developing health conditions or experiencing episodes that could result in declined coverage or specific exclusions. The sooner you have the insurance (including options to obtain more in the future under the same insurability status), the better.

For young, newly-minted professionals, the cost of obtaining top-level disability may seem daunting. To address this, several insurance companies offer a menu of premium schedules, or the option to change premium schedules over time.

For a number of reasons, it is common for professionals and highly-compensated employees to have a mix of disability insurance, perhaps a combination of individual and group policies, or individual policies with different companies. ❖

(It is important to note most policies distinguish between M/N disorders and organic brain diseases, such as Alzheimer's or dementia. The brain diseases are classified as "normal" disabilities, and benefits are paid accordingly.)



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2017-44085 Exp. 8/19.